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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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October 22, 2008

Greg Gambaro, Executive Director
Magdalen Community Improvement Corporation
4303 S. Kingshighway
St. Louis, MO 63109

RE: Fiscal Monitoring Review of Magdalen Community Improvement Corporation,
Community Development Block Grant (CDBG), Contract #07-31-67,
CFDA #14.218 (Project #2008-CDA37)

Dear Mr. Gambaro:

Enclosed is a report of our fiscal monitoring review of Magdalen Community Improvement Corporation, CDBG, for the period January 1, 2007 through December 31, 2007. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Magdalen Community Improvement Corporation. Our fieldwork was completed on March 25, 2008.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Community Development Administration (CDA) to provide fiscal monitoring to all grant sub-recipients. If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)

***MAGDALEN COMMUNITY IMPROVEMENT CORPORATION
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)***

CONTRACT #07-31-67

CFDA #14.218

***FISCAL MONITORING REVIEW
JANUARY 1, 2007 THROUGH DECEMBER 31, 2007***

PROJECT #2008-CDA37

DATE ISSUED: OCTOBER 22, 2008

***Prepared by:
The Internal Audit Section***



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
MAGDALEN COMMUNITY IMPROVEMENTS CORPORATION
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
FISCAL MONITORING REVIEW
JANUARY 1, 2007 THROUGH DECEMBER 31, 2007**

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**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
MAGDALEN COMMUNITY IMPROVEMENTS CORPORATIONS
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
FISCAL MONITORING REVIEW
JANUARY 1, 2007 THROUGH DECEMBER 31, 2007**

INTRODUCTION

Background

Contract Name: Magdalen Community Improvement Corporation

Contract Number: 07-31-67

CFDA Number: 14.218

Contract Period: January 1, 2007 through December 31, 2007

Contract Amount: \$35,000

This contract provided Community Development Block Grant (CDBG) funds to Magdalen Community Improvement Corporation (Agency) to encourage, promote and facilitate the stabilization and revitalization efforts in the residential and commercial communities known as Southtown and to assist in the development of the Kingshighway-Chippewa streetscape improvements.

Purpose

The purpose of our review was to determine the Agency compliance with federal (including OMB Circular A-133), state and local CDBG requirements for the periods January 1, 2007 through December 31, 2007. We will make recommendations for improvements if necessary.

Scope and Methodology

We made inquiries regarding the Agency's internal controls relating to the grant administered by the Community Development Administration (CDA), tested evidence supporting the reports the Agency submitted to CDA and performed other procedures considered necessary. Our fieldwork was completed on March 25, 2008.

Exit Conference

We offered the Agency's management an exit conference on 10/23/2008, along with the draft report; however, the Agency declined.

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INTRODUCTION

Management's Responses

We received management's responses to the observations and recommendations identified in the draft report from the Agency on October 20, 2008. Those responses have been incorporated into this report.

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CONCLUSION AND SUMMARY OF CURRENT OBSERVATIONS

Conclusion

The Agency did not fully comply with federal (including OMB Circular A-133), state and local CDBG requirements.

Status of Prior Observations

The Agency's previous Fiscal Monitoring Report dated September 4, 2007 contained two observations:

1. Failure to Submit IRS Form 990 in a Timely Manner **(Resolved)**
2. Monthly Financial Reports Were not Submitted in a Timely Manner **(Unresolved – Repeated)**

A-133 Status

According to a letter provided by the Agency on March 31, 2008, it was not required to have an A-133 Status report for fiscal year 2007 because it did not expend \$500,000 or more in federal funds for the year.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDBG requirements:

1. The Agency did not submit monthly financial reports in a timely manner.
2. The Agency has a going concern issue.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

1. The Agency Did Not Submit Monthly Financial Reports in a Timely Manner

CDA's policy guidelines require the Agency to submit its monthly financial reports by the 10th day of the month following the end of the reported month. We reviewed six (6) reports from January through December 2007 and found that all six reports were submitted late by an average of 58 days. Late submission of monthly financial reports may cause a delay or suspension in the processing of reimbursement requests.

Recommendation

We recommend the Agency comply with CDA's policy guidelines and submit its monthly financial reports by the 10th day of the month following the end of the reported month.

Management's Response

Magdalen Community Improvement Corporation's (MCIC) 2007 contract was not issued until June of 2007, which delayed in our submitting interim reports on time. 2007 reports were submitted as soon as was possible after our contract was issued. MCIC has been working to refine submission procedures in order to resolve this problem, and will submit interim requests to CDA as rapidly as possible, within our billing cycle for our monthly expenses.

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2. The Agency Appears to Have a Going Concern Issue

The Agency must be sufficiently funded in order to remain in business and continue providing services to the community. The Agency did not appear to have adequate funding, as its only funding source was the grant from CDA. The Agency did not prepare any financial statements (e.g., Balance Sheet and Statement of Revenues and Expenditures); however, the minutes of its March 10, 2008 board of directors meeting stated that the Agency might not have sufficient funds to cover expenses in subsequent months.

Recommendation

We recommend that the Agency identify and obtain other sources of funding to supplement the funding from CDA.

Management's Response

MCIC is currently searching for supplemental funding sources, in addition to our CDA funding. We will continue to search for funds to resolve this problem, as well as institute cost-cutting measures to preserve our cash reserves, and stretch the current funding we have, including streamlining our interim request submission procedures to preserve our cash flow.